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Go China

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For the past decade, the bustling China market has kept investors hungry for more China-related investments. Today, global investors are investing into China ETFs as ETFs provide diversification and access to restricted market.

Major China Indices

- China Securities Index 300 (CSI300)
- Shanghai SSE Composite Index (SSE)
- FTSE/Xinhua China 25 Index
- Hang Seng China Enterprise Index (HSCEI)
- Hang Seng Index (HSI)

Access the “forbidden market” with ETF

Before 2002, Chinese stocks were off-limits to foreign investors due to the government’s tight restrictions over the inflow and outflow of China’s assets. In 2002, The **Qualified Foreign Institutional Investor (QFII)** Act was introduced by the China Securities Regulatory Commission to provide for foreign capital access to the country’s financial markets. Individual foreign investors are still not allowed to directly own China A Shares. However, by buying into the ETFs setup by Qualified foreign institutions, investors can easily gain exposure to the China A Share markets.

For Education purpose only. * This publication is provided to you for general information only and does not constitute a recommendation, an offer or solicitation to subscribe for the investment. You should understand and carefully consider each ETF’s investment objectives, risks, charges and expenses before investing. ETFs are subject to investment risks including possible loss of the principal amount invested. You may wish to seek advice from a financial adviser before investing. In the event you choose not to do so, you should consider whether the ETF is suitable for you. Information of each ETF can be found in the respective Prospectus from the Issuer’s website

Fig 1. Top 10 ETF Tracking Chinese Benchmarks with Largest Change in AUM , as at end of December 2009

ETF	Country Listed	AUM (US\$ mil) Dec 09	AUM (US\$ mil) Dec 08	Changes
ISHARES FTSE/XINHUA CHINA 25 INDEX FUND	US	\$9,975.3	\$5,999.8	\$3,975.5
CHINA 50 ETF	CHINA	\$3,283.1	\$567.3	\$2,715.8
ISHARES FTSE/XINHUA A50 CHINA TRACKER	HONG KONG	\$6,115.3	\$3,620.0	\$2,495.2
HANG SENG H-SHARE INDEX ETF	HONG KONG	\$2,143.0	\$1,047.4	\$1,095.6
E FUND SI100 Index Fund	CHINA	\$1,321.3	\$537.8	\$783.5
LYXOR ETF CHINA ENTERPRISE (Hscai)	EUROPE	\$1,195.9	\$461.1	\$734.8
ISHARES FTSE/XINHUA CHINA 25	EUROPE	\$1,096.6	\$579.4	\$517.2
SPDR S&P CHINA ETF	US	\$578.8	\$135.8	\$443.0
WORLD INDEX SHARES ETFs - CSI 300 CHINA TRACKER	HONG KONG	\$859.1	\$515.3	\$343.8
WISDOMTREE DREYFUS CHINA YUAN FUND	US	\$423.9	\$89.7	\$334.2

SOURCE: BLOOMBERG.

Types of China Shares and Restriction

- A Shares

Securities of Chinese incorporated companies that trade on the Shanghai or Shenzhen stock exchanges, quoted in Chinese Renminbi (RMB). Traded by residents of the People's Republic of China (PRC) or international investors under the China Qualified Foreign Institutional Investors (QFII) regulations.

- B Shares

Securities of Chinese incorporated companies that trade on the Shanghai Stock Exchange (quoted in US Dollars) or the Shenzhen Stock Exchange (quoted in Hong Kong Dollars – HKD). Traded by both non-residents of the PRC and residents with appropriate foreign currency dealing accounts.

- H Shares

Securities of companies incorporated in the People's Republic of China and listed on the Hong Kong stock exchange. They can only be traded by Chinese investors under the Qualified Domestic Institutional Investors scheme (QDII). There are no restrictions for international investors.

- Red Chips

Red chip companies are incorporated outside of the People's Republic of China that trade on the Stock Exchange of Hong Kong. A Red Chip is a company that has at least 30% of its shares in aggregate held directly or indirectly by Mainland China entities, and at least 50% of their sales revenue or operation asset derived from Mainland China

Important for investors to note

Investors need to be cautious of the type of arrangements set up in ETFs. Investors may face counterparty risk due to the nature of complex arrangements such as Swap based or P-Note based ETFs.

Investors should also note that an investment in such an ETF is not the same as owning the constituent A-Shares as the value of the P-Notes are backed by the P-Note issuers, rather than the value of the A-Shares.

Information of the fund's investment approach can be found in the various ETF's prospectus.

Fig 2. Singapore Listed ETF tracking China/HongKong, as at 15th March 2010.

ETF	Underlying Index	Board Lots Size	Minimum Bid Size	Trading Currency	Market Maker	Trading Name
United SSE 50 China ETF	SSE 50 Index	100	S\$0.01	SGD	Rabobank	UETF SSE 50 China 100
db x-trackers FTSE/Xinhua China 25 ETF	FTSE/Xinhua China 25 index	10	\$0.01	USD	Deutsche Bank AG	DBXT FT China25 10US\$
db x-trackers CSI 300 Index ETF	CSI 300 index	10	\$0.01	USD	Deutsche Bank AG	DBXT CSI300 10US\$
Lyxor ETF China Enterprise (HSCEI)	Hang Seng China Enterprise (HSCEI) Index	10	\$0.01	USD	Societe Generale Group	Lyxor China H 10US\$
Lyxor ETF Hong Kong (HSI)	Hang Seng Index	10	\$0.01	USD	Societe Generale Group	Lyxor HangSeng 10US\$

SOURCE: SINGAPORE STOCK EXCHANGE.